

JOINT BUDGET COMMITTEE



SUPPLEMENTAL BUDGET REQUESTS FY 2019-20

DEPARTMENT OF EDUCATION

JBC WORKING DOCUMENT - SUBJECT TO CHANGE
STAFF RECOMMENDATION DOES NOT REPRESENT COMMITTEE DECISION

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DEPARTMENT OF EDUCATION

DEPARTMENT OVERVIEW

The elected members of the State Board of Education are responsible for the general supervision of public schools throughout Colorado. The Commissioner of Education, appointed by the State Board, advises the State Board concerning the operation and status of public schools and serves as the executive officer of the Department of Education. Among other tasks and responsibilities, the Department supports the Board in its duties by:

- accrediting public schools and school districts;
- developing and maintaining state model academic content standards and administering associated student assessments for certain subject areas and grade levels; and
- issuing school performance reports for every public school in the State.

The Department also administers a number of education-related programs, including: educator licensure and professional development; the School Finance Act and the distribution of state and federal funds to school districts; special education for children with disabilities; English language proficiency programs; the Colorado Preschool Program; educator effectiveness and evaluation programs; and adult basic education programs.

The Department includes three independent agencies: (1) the Board of Trustees for the Colorado School for the Deaf and the Blind; (2) the State Charter School Institute Board, which is responsible for authorizing and monitoring the operations of institute charter schools located within certain school districts; and (3) the Public School Capital Construction Assistance Board, which is responsible for assessing public school capital construction needs statewide and making recommendations concerning the prioritization and allocation of state financial assistance for school construction projects.

In addition to its responsibilities related to public schools, the Department's duties include promoting the improvement of library services statewide to ensure equal access to information, including providing library services to persons who reside in state-funded institutions and to persons who are blind or physically disabled.

SUMMARY: FY 2019-20 APPROPRIATION AND RECOMMENDATION

DEPARTMENT OF EDUCATION: RECOMMENDED CHANGES FOR FY 2019-20						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
FY 2019-20 APPROPRIATION						
SB 19-207 Long Bill	\$5,851,129,906	\$4,190,124,616	\$999,232,465	\$42,327,029	\$619,445,796	605.4
HB 19-1262 Full-day kindergarten	173,972,108	173,972,108	0	0	0	0.0
SB 19-246 School finance	38,775,902	37,675,902	1,100,000	0	0	1.3
HB 19-1055 Public school capital construction assistance	80,656,559	0	80,656,559	0	0	0.0
Other legislation	41,363,294	3,397,939	37,715,355	250,000	0	9.7

DEPARTMENT OF EDUCATION: RECOMMENDED CHANGES FOR FY 2019-20						
	TOTAL FUNDS	GENERAL FUND	CASH FUNDS	REAPPROPRIATED FUNDS	FEDERAL FUNDS	FTE
CURRENT FY 2019-20 APPROPRIATION:	\$6,185,897,769	\$4,405,170,565	\$1,118,704,379	\$42,577,029	\$619,445,796	616.4
RECOMMENDED CHANGES						
Current FY 2019-20 Appropriation	\$6,185,897,769	4,405,170,565	\$1,118,704,379	\$42,577,029	\$619,445,796	616.4
S1 Total program adjustment	8,487,509	8,487,509	0	0	0	0.0
NPS PERA direct distribution	0	525,098	0	0	(525,098)	0.0
NPS Annual fleet vehicle supplemental	(7,189)	(7,189)	0	0	0	0.0
RECOMMENDED FY 2019-20 APPROPRIATION:	\$6,194,378,089	\$4,414,175,983	\$1,118,704,379	\$42,577,029	\$618,920,698	616.4
RECOMMENDED INCREASE/(DECREASE)	\$8,480,320	\$9,005,418	\$0	\$0	(\$525,098)	0.0
Percentage Change	0.1%	0.2%	0.0%	0.0%	(0.1%)	0.0%
FY 2019-20 EXECUTIVE REQUEST	\$6,195,685,113	\$4,415,483,007	\$1,118,704,379	\$42,577,029	\$618,920,698	616.4
Request Above/(Below) Recommendation	\$1,307,024	\$1,307,024	\$0	\$0	\$0	(0.0)

REQUEST/RECOMMENDATION DESCRIPTIONS

S1 TOTAL PROGRAM ADJUSTMENTS: The request proposes to increase the appropriations for the State Share of Districts’ Total Program Funding by \$9,794,533 General Fund to maintain the budget stabilization factor at the dollar amount assumed in the original FY 2019-20 appropriation (\$572.4 million). The request accounts for the following changes from the estimates included in the original appropriation for total program: (1) both the funded pupil count and the at-risk pupil counts are higher than anticipated in the original appropriation, which increases the cost of total program funding before the application of the budget stabilization factor by \$20.3 million; and (2) local revenues are \$11.8 million higher than anticipated, which offsets a portion of the increase in state funds that would otherwise be necessary to maintain a constant budget stabilization factor.

Staff recommends approving the request to maintain the budget stabilization factor at a constant dollar value (\$572,396,894). Based on updates to the data underlying the Department’s request, staff recommends an increase of \$8,487,509 General Fund (a decrease of \$1,307,204 below the request). Staff also notes that the Committee could elect to make that appropriation from the State Education Fund rather than the General Fund. Please note that the request and recommendation require separate legislation to adjust the statutory provisions detailing total program funding amounts in FY 2019-20, and the recommended appropriation for total program funding would be included in that legislation.

NPS PERA DIRECT DISTRIBUTION: The request includes a net zero refinance for PERA Direct Distribution, including an increase of \$525,098 General Fund and a corresponding decrease of that amount of federal funds. This request item was addressed in a separate staff supplemental presentation for the Department of Personnel (compensation common policies) on January 14, 2020. The Committee approved the refinance as requested, and staff requests permission to reflect the Committee’s action in the Department’s supplemental bill.

NPS ANNUAL FLEET VEHICLE SUPPLEMENTAL: The request includes a decrease of \$7,189 General Fund to adjust the Department’s share of expenses related to leasing fleet vehicles through the Department of Personnel. The recommendation is pending a committee common policy decision. Staff requests permission to reflect the Committee’s action in the Department’s supplemental bill.

PRIORITIZED SUPPLEMENTAL REQUESTS

S1 TOTAL PROGRAM ADJUSTMENT

	REQUEST	RECOMMENDATION
TOTAL	\$9,794,533	\$8,487,509
General Fund	9,794,533	8,487,509

Does JBC staff believe the request meets the Joint Budget Committee's supplemental criteria? **YES**

[An emergency or act of God; a technical error in calculating the original appropriation; data that was not available when the original appropriation was made; or an unforeseen contingency.]

Explanation: JBC staff and the Department agree that this request is the result of data that were not available at the time of the original appropriation.

DEPARTMENT REQUEST: The request proposes to increase the appropriation for the State Share of Districts' Total Program Funding by \$9,794,533 General Fund to maintain the budget stabilization factor at the dollar amount anticipated in the original FY 2019-20 appropriation (\$572.4 million). The request accounts for the following changes from the estimates included in the original appropriation for total program:

- Both the funded pupil count and the at-risk pupil counts are higher than anticipated in the original appropriation, which increases the cost of total program funding before the application of the budget stabilization factor by \$20.3 million.
- Local revenues are \$11.8 million higher than anticipated, which offsets a portion of the increase in state funds that would otherwise be necessary to hold the budget stabilization factor constant.

STAFF RECOMMENDATION: Staff recommends that the Committee approve the Department's request to maintain the budget stabilization factor at the dollar amount anticipated in the original FY 2019-20 appropriation (\$572,396,894). Based on a technical correction to the data underlying the Department's request (specifically the dollar amount of the original appropriation), staff recommends approving an increase of \$8,487,509 General Fund for the State Share of Districts' Total Program. Staff notes the following:

- The request and recommendation require separate legislation to adjust the statutory provisions and associated appropriations detailing total program funding amounts in FY 2019-20. As a result, staff recommends that the Committee sponsor a companion bill (as part of the supplemental package) to make the necessary school finance adjustments.
- The request and recommendation propose to support the additional appropriation with General Fund. However, staff notes that the Committee could also make the appropriation from the State Education Fund. Doing so would reduce the amount available in the State Education Fund for appropriation in FY 2020-21 and subsequent years (reducing the fund's projected balance at the end of FY 2019-20 from \$202.7 million to \$194.2 million) but would maintain additional flexibility in the General Fund.

STAFF ANALYSIS:

BACKGROUND: The School Finance Act builds each school district's total program funding based on four basic variables: (1) inflation (Amendment 23 increases statewide base per pupil funding by the rate of inflation each year based on the change in the consumer price index from the previous calendar year); (2) funded pupil count (which is multiplied by per pupil funding for each district to generate the total program amount); (3) at-risk pupil counts for each district; and (4) local revenues (from property taxes and specific ownership taxes) available to support total program. Once the formula calculates a per pupil amount for each district, the Department then adds a flat per pupil funding amount for two groups of students: multi-district on-line students and ASCENT participants.

Of these variables, only the applicable inflation rate and the legislatively-approved number of ASCENT participants are available when the General Assembly establishes the Long Bill appropriation for school finance. The General Assembly uses estimates of pupil counts, at-risk pupil counts, and local revenues to set the initial school finance appropriation each year. Subsequently:

- School districts conduct an annual pupil count (on or near October 1) and then work with the Department to finalize both funded pupil counts and at-risk pupil counts by mid-December.
- County assessors certify to the Department of Education the total valuation for assessment of all taxable property (by August 25) and the State Board of Equalization certifies assessors' abstracts of assessments (by December 20).
- School district boards, with the assistance of the Department, certify to their respective boards of county commissioners and inform their county treasurers of the district's mill levy for school finance (by December 15).

Thus, by early January of each fiscal year, school districts and the Department know the actual funded pupil count, at-risk pupil count, and local revenues available to support school finance. Section 22-54-106 (4) (b), C.R.S., requires the Department to submit a request for a supplemental appropriation in an amount that would fully fund the state share of districts' total program funding. Statute does not require the General Assembly to fund the requested supplemental appropriation. If existing appropriations are insufficient and the General Assembly does not provide additional funds or reduces the existing appropriation, Section 22-54-106 (4) (c), C.R.S., requires the Department to reduce state aid for each school district and each Institute charter school on a pro rata basis.

TOTAL PROGRAM FUNDING SUMMARY: The Department is requesting legislative action to adjust total program funding to account for higher than anticipated pupil counts and at-risk pupil counts as well as higher than anticipated local revenues.

- The actual funded pupil count and the at-risk pupil count are both higher than anticipated in the original appropriation, which increases total program *before* the application of the budget stabilization factor (as calculated by the school finance formula) by \$20.3 million. As a result, with no change in local revenues, that change would require an additional \$20.3 million in state funds to hold the budget stabilization factor constant.
- However, local school finance tax revenues are \$11.8 million higher than the amount assumed in the original appropriation. The increase in local funds decreases the State's obligation for school finance by \$11.8 million at any given level of the budget stabilization factor. Thus, the change in local funds would provide \$11.8 million of the \$20.3 million increase in total funds necessary to hold the budget stabilization factor constant at \$572.4 million as anticipated in the original FY 2019-20 appropriation.

- Combined, those changes require an increase of \$8.5 million for the state share of total program funding to maintain the budget stabilization factor at \$572.4 million.

Table A summarizes the changes in the Department's total program supplemental request (revised to correct the current FY 2019-20 appropriation). Table B then compares the proposed changes to mid-year adjustments to the state share in recent years.

TABLE A: CHANGES TO SCHOOL FINANCE BASED ON ACTUAL ENROLLMENT AND LOCAL REVENUES				
FISCAL YEAR	FY 2018-19	FY 2019-20		MID-YEAR CHANGE
	FINAL APPROPRIATION	DATA USED FOR INITIAL APPROPRIATION	REQUESTED REVISED APPROPRIATION	
Funded Pupil Count	870,084.9	894,568.9	896,000.7	1,431.8
<i>Annual Percent Change</i>		2.8%	3.0%	
At-risk Pupil Count	294,161	293,297	302,743	9,446
<i>Annual Percent Change</i>		-0.3%	2.9%	
Statewide Base Per Pupil Funding	\$6,769	\$6,952	\$6,952	\$0
<i>Annual Percent Change</i>	3.4%	2.7%	2.7%	
Total Program Funding PRIOR TO Budget Stabilization Factor	\$7,739,732,989	\$8,158,105,603	\$8,178,375,722	\$20,270,119
Less: Budget Stabilization Factor Reduction	(672,396,894)	(572,396,894)	(572,396,894)	0
<i>Negative Factor as % of Total program</i>	8.69%	7.02%	7.00%	
EQUALS: Adjusted Total Program Funding	\$7,067,336,095	\$7,585,708,709	\$7,605,978,828	\$20,270,119
<i>Annual Percent Change</i>	6.6%	7.3%	7.6%	
Statewide Average Per Pupil Funding (for adjusted total program funding)	\$8,122.58	\$8,479.74	\$8,488.81	\$9.07
<i>Annual Percent Change</i>	1.5%	4.4%	4.5%	
Local Share of Districts' Total Program Funding	\$2,598,750,917	\$2,965,952,818	\$2,977,735,428	\$11,782,610
Property Tax Revenue	2,394,206,928	2,755,272,509	2,775,995,592	20,723,083
Specific Ownership Tax Revenue	204,543,989	210,680,309	201,739,836	(8,940,473)
<i>Annual Percent Change on Total</i>	3.6%	14.1%	14.6%	
State Share of Districts' Total Program Funding	\$4,468,585,178	\$4,619,755,891	\$4,628,243,400	\$8,487,509
<i>Annual Percent Change</i>	8.4%	3.4%	3.6%	
<i>State Share as Percent of Districts' Total Program</i>	63.2%	60.9%	60.9%	

TABLE B: HISTORY OF MID-YEAR APPROPRIATION ADJUSTMENTS FOR STATE SHARE OF SCHOOL FINANCE				
FISCAL YEAR	TOTAL STATE SHARE APPROPRIATION MADE IN SESSION PRECEDING FISCAL YEAR	MID-YEAR ADJUSTMENTS		FINAL APPROPRIATION
		DOLLARS	% CHANGE	
FY 2008-09 a/	\$3,393,363,222	(\$418,016)	0.0%	\$3,392,945,206
FY 2009-10 b/	3,696,288,785	(177,332,868)	-4.8%	3,518,955,917
FY 2010-11 c/	3,399,817,396	(193,428,514)	-5.7%	3,206,388,882
FY 2011-12	3,336,347,674	(4,425,519)	-0.1%	3,331,922,155
FY 2012-13	3,336,460,619	13,253,672	0.4%	3,349,714,291
FY 2013-14	3,532,662,765	55,437,495	1.6%	3,588,100,260
FY 2014-15	3,953,506,569	(2,894,086)	-0.1%	3,950,612,483
FY 2015-16	4,113,321,146	(133,542,173)	-3.2%	3,979,778,973
FY 2016-17	4,115,127,505	0	0.0%	4,115,127,505
FY 2017-18	4,225,007,024	(104,438,145)	-2.5%	4,120,568,879

TABLE B: HISTORY OF MID-YEAR APPROPRIATION ADJUSTMENTS FOR *STATE SHARE* OF SCHOOL FINANCE

FISCAL YEAR	TOTAL STATE SHARE APPROPRIATION MADE IN SESSION PRECEDING FISCAL YEAR	MID-YEAR ADJUSTMENTS		FINAL APPROPRIATION
		DOLLARS	% CHANGE	
FY 2018-19	4,546,175,603	(77,590,425)	-1.7%	4,468,585,178
FY 2019-20 Recommendation	4,619,755,891	8,487,509	0.2%	4,628,243,400

a/ In FY 2008-09 the General Assembly did not approve a \$26.3 million supplemental request to fully fund the existing statutory total program funding formula. The General Assembly passed legislation (S.B. 09-215) to adjust base per pupil funding for FY 2008-09, eliminating the additional \$19.72 per pupil that was not constitutionally required, thereby reducing total program funding by \$20.0 million. Ultimately, the Department was required to rescind \$5,777,656.

b/ The 2009 school finance bill (S.B. 09-256) included a provision requiring school districts and the State Charter School Institute to create and budget an amount in FY 2009-10, equivalent to about 1.9 percent of total program funding (a total of \$110 million statewide), to a fiscal emergency restricted reserve. The act allowed districts to spend the moneys in the reserve beginning January 29, 2010, unless the General Assembly reduced state appropriations for school finance prior to that date. The General Assembly subsequently reduced state appropriations by \$177 million, including a reduction of \$110 million as contemplated in S.B. 09-256, as well as a reduction of \$67 million to reflect higher than anticipated local revenues. This mid-year adjustment did not add \$19.8 million to fund a higher than anticipated number of funded pupils and at-risk pupils. Thus, the Department was required to rescind a total of \$129,813,999.

c/ The mid-year adjustments for FY 2009-10 included: (1) a reduction of \$216,358,164 General Fund, which was fully offset by the appropriation of federal moneys; and (2) an increase of \$22,929,650 cash funds to offset lower than anticipated local revenues. This mid-year adjustment did not increase the appropriation to fund a higher than anticipated number of funded pupils and at-risk pupils, resulting in a decrease in the average per pupil funding amount.

The following sections provide additional detail and historical context for each component of the Department's request.

FUNDED PUPIL COUNT: The actual funded pupil count is higher than anticipated in the original FY 2019-20 appropriation. The original appropriation assumed a total statewide funded pupil count of 894,568.9; the actual count is 896,000.7, an increase of 1,431.8 (0.2 percent) above the anticipated count. As shown in Table C, this is a typical mid-year adjustment. Staff notes the following:

- The significant increase in funded pupil count from FY 2018-19 to FY 2019-20 (an increase of 25,915.8 student FTE, or 3.0 percent) is largely driven by the implementation of full-day kindergarten pursuant to H.B. 19-1262 because each full-day kindergarten student counts as 1.0 student FTE rather than as 0.58 FTE under prior law. The Department reports a total of 61,874 funded pupils are enrolled in full-day kindergarten in FY 2019-20. In previous years (at 0.58 student FTE), that same number of students would have represented 35,887 funded pupils (25,987 below the actual funded count for this year).
- The full-day kindergarten student count is also higher than anticipated in the original FY 2019-20 appropriation. The appropriation in H.B. 19-1262 anticipated 85.0 percent participation in full-day kindergarten. However, the Department's data indicate a participation rate of approximately 94.7 percent. The Department reports that enrollment in grades 1 through 12 was lower than anticipated in the original appropriation, which offset much of the increase in pupil count associated with the higher than anticipated participation in full-day kindergarten. As a result, the total change in students (relative to the initial assumptions for the FY 2019-20 appropriation) is comparable to recent years.

TABLE C: COMPARISON OF ESTIMATED AND FINAL FUNDED PUPIL COUNTS

FISCAL YEAR	ESTIMATE FOR INITIAL APPROPRIATION	MID-YEAR ADJUSTMENTS		ESTIMATE FOR FINAL APPROPRIATION
		FUNDED PUPILS	% CHANGE	
FY 2008-09	776,017.0	2,118.9	0.3%	778,135.9
FY 2009-10	788,648.3	862.8	0.1%	789,511.1
FY 2010-11	797,438.5	1,238.1	0.2%	798,676.6
FY 2011-12	805,890.6	2,303.9	0.3%	808,194.5
FY 2012-13	817,221.0	438.7	0.1%	817,659.7
FY 2013-14	828,045.0	2,788.0	0.3%	830,833.0
FY 2014-15	845,136.0	(589.6)	-0.1%	844,546.4
FY 2015-16	855,390.5	(2,139.1)	-0.3%	853,251.4
FY 2016-17	861,441.4	(2,645.6)	-0.3%	858,795.8
FY 2017-18	865,934.9	(918.0)	-0.1%	865,016.9
FY 2018-19	871,141.1	(1,056.2)	-0.1%	870,084.9
FY 2019-20	894,568.9	1,431.8	0.2%	896,000.7

Prior to the implementation of the budget stabilization factor, an increase in the funded pupil count would generally increase districts’ total program funding pursuant to the School Finance Act. For example, the original FY 2019-20 appropriation assumes \$8,479.74 in statewide average per pupil funding. With 1,431.8 more student FTE in the actual count, maintaining that statewide average would require an increase of \$12.1 million in total program funding.

AT-RISK PUPIL COUNT AND PER PUPIL FUNDING: The number of at-risk students is also higher than anticipated. The original appropriation assumed Colorado would have 293,297 at-risk pupils statewide. However, the Department’s actual count is 302,743, an increase of 9,447 (3.2 percent) above the anticipated count. Based on the October 2019 student count, at-risk students now comprise 34.8 percent of students statewide, 1.0 percent above the 33.8 percent of students in FY 2018-19. According to the Department, at least a portion of this increase (relative to the original appropriation) is also related to the implementation of full-day kindergarten as a result of H.B. 19-1262 because the estimates for the at-risk count did not adjust for the increase in funded pupil count associated with full-day kindergarten.

The School Finance Act provides additional funding for at-risk students. Thus, an increased number of at-risk students would typically increase a district’s total program funding and statewide average per pupil funding, while a decreased number of at-risk students would typically decrease total program funding and statewide average per pupil funding. The changes in pupil counts (both funded pupil count and at-risk pupil count) increases total program funding prior to the application of the budget stabilization factor by \$20.3 million in FY 2019-20. The Department’s request (and staff’s recommendation) to maintain the budget stabilization factor at \$572.4 million would increase statewide average per pupil funding by \$9.07. Table D compares the requested adjustment to mid-year changes in recent years.

TABLE D: COMPARISON OF ESTIMATED AND FINAL STATEWIDE AVERAGE PER PUPIL FUNDING

FISCAL YEAR	ESTIMATE FOR INITIAL APPROPRIATION	MID-YEAR ADJUSTMENTS		ESTIMATE FOR FINAL APPROPRIATION
		PER PUPIL FUNDING	% CHANGE	
FY 2008-09	\$6,904.49	(\$22.58)	-0.3%	\$6,881.91
FY 2009-10 (prior to mid-year recision)	7,225.40	16.28	0.2%	7,241.68
FY 2010-11 (mid-year adjustment) a/	6,823.57	(280.80)	-4.1%	6,542.77

TABLE D: COMPARISON OF ESTIMATED AND FINAL STATEWIDE AVERAGE PER PUPIL FUNDING

FISCAL YEAR	ESTIMATE FOR INITIAL APPROPRIATION	MID-YEAR ADJUSTMENTS		ESTIMATE FOR FINAL APPROPRIATION
		PER PUPIL FUNDING	% CHANGE	
FY 2011-12	6,468.24	6.00	0.1%	6,474.24
FY 2012-13	6,474.24	5.18	0.1%	6,479.42
FY 2013-14	6,652.28	0.00	0.0%	6,652.28
FY 2014-15	7,020.70	4.90	0.1%	7,025.60
FY 2015-16	7,294.41	18.28	0.3%	7,312.69
FY 2016-17	7,424.66	(4.00)	-0.1%	7,420.66
FY 2017-18	7,662.18	0.00	0.0%	7,662.18
FY 2018-19	8,137.41	(14.83)	-0.2%	8,122.58
FY 2019-20	8,479.74	9.07	0.1%	8,488.81

a/ Mid-year adjustment for FY 2010-11 does not reflect \$216,358,164 in federal money that was made available to school districts but was technically not part of districts' total program funding. Including these funds would increase final per pupil funding to \$6,813.27, representing a \$10.30 mid-year decrease.

STATE VS. LOCAL FUNDING FOR FY 2019-20: Local tax revenues are \$11.8 million (0.4 percent) higher than anticipated in the original appropriation. Specifically, property tax revenues are \$20.7 million (0.8 percent) higher than projected last spring, while specific ownership taxes¹ are \$8.9 million (4.2 percent) lower than projected. As shown in Table E, the net change is comparable to recent years.

TABLE E: COMPARISON OF ESTIMATED AND FINAL LOCAL SHARE OF FUNDING

FISCAL YEAR	ESTIMATE FOR INITIAL APPROPRIATION	MID-YEAR ADJUSTMENTS		ESTIMATE FOR FINAL APPROPRIATION
		LOCAL FUNDING	% CHANGE	
FY 2008-09	\$1,965,055,671	(\$9,186,989)	-0.5%	\$1,955,868,682
FY 2009-10	2,002,007,038	66,609,048	3.3%	2,068,616,086
FY 2010-11	2,041,563,656	(22,707,653)	-1.1%	2,018,856,003
FY 2011-12	1,876,347,000	24,178,468	1.3%	1,900,525,468
FY 2012-13	1,924,424,268	(6,175,383)	-0.3%	1,918,248,885
FY 2013-14	1,975,723,359	(36,889,870)	-1.9%	1,938,833,489
FY 2014-15	1,979,937,820	2,894,086	0.1%	1,982,831,906
FY 2015-16	2,126,243,629	133,542,173	6.3%	2,259,785,802
FY 2016-17	2,280,782,709	(23,077,754)	-1.0%	2,257,704,955
FY 2017-18	2,409,944,058	96,900,446	4.0%	2,506,844,504
FY 2018-19	2,542,655,348	56,095,569	2.2%	2,598,750,917
FY 2019-20	2,965,952,818	11,782,610	0.4%	2,977,735,428

SUMMARY OF OPTIONS AND STAFF RECOMMENDATION ASSOCIATED WITH FY 2018-19 MID-YEAR REQUEST: Staff is recommending approval of the Department’s request to maintain the budget stabilization factor at the dollar amount assumed in the original FY 2019-20 appropriation (\$572.4 million), requiring the General Assembly to increase the state share of total program funding by \$8.5

¹ Counties collect vehicle registration taxes and share the revenues with local school districts. Pursuant to Section 22-54-106 (1) (a) (I), C.R.S., each district’s local share of total program funding includes a portion of these district “specific ownership tax revenues” – specifically, that portion that was collected for the previous budget year that is attributable to all property tax levies made by the school district, except those levies made for the purpose of satisfying bonded indebtedness obligations (both principal and interest) and those authorized pursuant to voter approval to raise and expend additional “override” property tax revenues in excess of the district’s total program (see Section 22-54-103 (11), C.R.S.). Total specific ownership tax revenues are directly related to the number and taxable value of vehicles. The portion of these revenues that count toward the local share of total program funding is impacted by school districts’ general fund mill levies in relation to other school district mill levies, as well as other local mill levies.

million. Staff is also recommending approval of the request to increase the General Fund appropriation. However, the Committee may wish to consider making the appropriation from the State Education Fund rather than the General Fund.

Question 1: How does the General Assembly wish to change total program funding in FY 2019-20?

While the Committee could elect to change funding in any number of ways, staff offers four illustrative options for the Committee’s consideration based on potential benchmarks in the school finance appropriation. Staff’s recommendation to hold the budget stabilization factor constant is based on an assumption that the General Assembly was targeting that value in the original appropriation (with a \$100.0 million reduction to the budget stabilization factor from FY 2018-19 to FY 2019-20).

However, the Committee may wish to make the mid-year adjustment based on a different parameter. Staff summarizes four options below and in Table F.

- *Request and Staff Recommendation - Constant Budget Stabilization Factor:* Maintaining the budget stabilization factor at the level of the original FY 2019-20 appropriation (\$572.4 million) would require the state share to increase by \$8.5 million. Statewide average per pupil funding would increase by \$9.07 from the amount anticipated in the original appropriation (from \$8,479.74 to \$8,488.81) largely because of the reduced at-risk count relative to the original projections.
- *Constant Statewide Average Per Pupil Funding:* Maintaining statewide average per pupil funding at the level of the original appropriation (\$8,479.74) would require the state share to increase by \$358,677 (because the increased local share does not quite cover the entire cost of the increase in student count). This option would increase the dollar value of the budget stabilization factor by \$8.1 million (from \$572.4 million to \$580.5 million).
- *Constant Total Program:* Maintaining total program funding (the combination of state and local shares) allows the state share to decrease by \$11.8 million because of the increase in local revenues. Statewide average per pupil funding decreases by \$13.55 relative to the original appropriation and the dollar value of the budget stabilization factor increases by \$20.3 million (from \$572.4 million in the original appropriation to \$592.7 million).
- *Constant State Share:* Maintaining a constant state share would result in an \$11.8 million increase in total program funding (after the application of the budget stabilization factor) because of the increase in local revenues relative to the original appropriation. Statewide average per pupil funding would decrease by \$0.40 relative to the original appropriation, and the dollar value of the budget stabilization factor would increase by \$8.5 million (from \$572.4 million in the original appropriation to \$580.9 million).

TABLE G: FY 2019-20 TOTAL PROGRAM SUPPLEMENTAL APPROPRIATION OPTIONS

	ORIGINAL APPROPRIATION	REQUEST AND STAFF REC: CONSTANT BUDGET STAB. FACTOR	CONSTANT STATEWIDE AVERAGE PER PUPIL FUNDING	CONSTANT TOTAL PROGRAM	CONSTANT STATE SHARE
Total Program Before Budget Stab. Factor	\$8,158,105,603	\$8,178,375,722	\$8,178,375,722	\$8,178,375,722	\$8,178,375,722
Budget Stabilization Factor	(572,396,894)	(572,396,894)	(580,525,726)	(592,667,013)	(580,884,403)
<i>Budget Stabilization Factor as Percentage</i>	-7.02%	-7.00%	-7.10%	-7.25%	-7.10%
Adjusted Total Program	\$7,585,708,709	\$7,605,978,828	\$7,597,849,996	\$7,585,708,709	\$7,597,491,319
Pupil Count	894,568.9	896,000.7	896,000.7	896,000.7	896,000.7
Statewide Average Per Pupil	\$8,479.74	\$8,488.81	\$8,479.74	\$8,466.19	\$8,479.34

TABLE G: FY 2019-20 TOTAL PROGRAM SUPPLEMENTAL APPROPRIATION OPTIONS

	ORIGINAL APPROPRIATION	REQUEST AND STAFF REC: CONSTANT BUDGET STAB. FACTOR	CONSTANT STATEWIDE AVERAGE PER PUPIL FUNDING	CONSTANT TOTAL PROGRAM	CONSTANT STATE SHARE
Change from Original Appropriation in Statewide Average Per Pupil Funding	N/A	\$9.07	\$0.00	(\$13.55)	(\$0.40)
Local Share	\$2,965,952,818	\$2,977,735,428	\$2,977,735,428	\$2,977,735,428	\$2,977,735,428
State Share	4,619,755,891	4,628,243,400	4,620,114,568	4,607,973,281	4,619,755,891
Change in State Share from Original Appropriation (Supplemental Amount)	N/A	\$8,487,509	358,677	(\$11,782,610)	\$0
General Fund/ State Education Fund Change	N/A	8,487,509	358,677	(11,782,610)	0
State Public School Fund Change	N/A	0	0	0	0
Statutory Change Required/Recommended to Adjust Total Program Amount	N/A	Yes	Yes	Yes	Yes

Question 2: What fund source should support the increase in the state share?

Based on the request and recommendation to maintain the budget stabilization factor at a \$572.4 million, the staff recommendation would increase the *General Fund* appropriation for the State Share of Districts’ Total Program Funding by \$8.5 million. Staff also notes that the Committee could instead make the appropriation from the State Education Fund. Staff’s current estimates indicate that making the appropriation from the State Education Fund would reduce the fund’s balance at the end of FY 2019-20 from \$202.7 million under current law to \$194.2 million, reducing the amount available for FY 2020-21 and subsequent years. However, that option would increase leave \$8.5 million available in the General Fund for FY 2019-20 or subsequent years.

RECOMMENDED COMPANION BILL: As has been the precedent in previous years, staff recommends that the Committee make the recommended statutory (total program and budget stabilization factor) and appropriation changes through a separate (non-supplemental) bill. Specifically, staff recommends that the Committee introduce a bill that includes the following provisions, to be modified if necessary based on the Committee’s decisions regarding adjustments to total program funding:

- A non-statutory legislative declaration to explain the current situation and the General Assembly’s intent. Specifically, the declaration would state that: (a) Based on the actual funded pupil count and the actual at-risk student counts for FY 2019-20, total program funding (before the application of the budget stabilization factor) is \$20,270,119 higher than anticipated when appropriations were established in the 2019 Session; (b) Based on actual local property taxes and specific ownership taxes available to school districts for FY 2019-20, the local share of total program funding is \$11,782,610 than anticipated when appropriations were established in the 2019 Session; and (c) It is the intent of the General Assembly to maintain the value of the budget stabilization factor at the dollar amount of the original appropriation.
- A provision to adjust the total program floor for FY 2019-20 to provide clear direction to the Department of Education and Legislative Council Staff in recalculating the FY 2019-20 budget stabilization factor.

- An appropriation clause to add \$8,487,509 General Fund (or State Education Fund) to the State Share of Districts' Total Program Funding line item and to adjust the footnote detailing the funding dedicated to ASCENT participants to align with the total program adjustments.

FY 2020-21 – GOVERNOR'S REVISED REQUEST: In addition to proposing revisions to the current year appropriations for school finance, the Governor's January 15, 2020, budget submission also revises the request for FY 2020-21. Consistent with the Governor's November 2019 budget request, the revised request proposes to reduce the budget stabilization factor by \$52.0 million in FY 2020-21 (from \$572.4 million in FY 2019-20 to \$520.4 million FY 2020-21). The revised request incorporates a variety of updates and changes to assumptions underlying total program appropriations for FY 2020-21.

- *Pupil Counts and Inflation:* The revised request (slightly) increases the funded pupil count and the at-risk student count relative to the levels assumed in the November 1 request. In addition, the revised request reflects the actual inflation rate for CY 2019 of 1.9 percent, as compared to the 1.7 percent rate assumed in the Governor's November 2019 request. Each of these adjustments increases the cost of total program funding before the application of the budget stabilization factor, resulting in a total increase of \$31.0 million relative to the assumptions in the November request.
- *Local Revenues:* The revised estimates for FY 2020-21 anticipate an overall increase of \$13.3 million in local revenues relative to the amounts assumed in the Governor's November request, including an increase of \$22.5 million in anticipated property tax revenues that is partially offset by a reduction of \$9.2 million in anticipated specific ownership tax revenues. This change reduces the state funding *required at any given level of budget stabilization factor* by \$13.3 million relative to the assumptions in the November 1 request.

Combined, the changes in data require appropriations for the state share of total program funding to increase by \$17.7 million above the amount assumed in the November request in order to achieve the \$52.0 million reduction to the budget stabilization factor proposed by the Governor.

As the Committee looks toward the FY 2020-21 budget process and the Long Bill, staff notes that current law will not allow the budget stabilization factor to increase (as a dollar amount) from FY 2019-20 to FY 2020-21.

- Staff therefore anticipates making a Long Bill recommendation that would hold the budget stabilization factor constant at the level approved through the FY 2019-20 mid-year adjustments.
- If the General Assembly elects to reduce the value of the budget stabilization factor at mid-year in FY 2019-20, the FY 2020-21 Long Bill appropriation will have to sustain the reduction to the budget stabilization factor.

For the Committee's reference, Table H compares the proposed FY 2019-20 appropriation (including the recommended mid-year adjustments), the Governor's November request for FY 2020-21, the Governor's revised request, and current law requirements. Please note that the "current law" column:

- Holds the budget stabilization factor constant at \$572.4 million (the level requested and recommended through the FY 2019-20 supplemental), which is \$52.0 million higher than in the Governor's request.
- Targets an ending balance of \$150.0 million in the State Education Fund at the end of FY 2020-21, \$2.2 million below the Governor's proposed ending balance of \$152.2 million.

- Targets an ending balance of \$30.9 million in the State Public School Fund at the end of FY 2020-21, consistent with the statutory requirement that the General Assembly spend marijuana tax revenues credited to the State Public School Fund in the year following the year of collection. The targeted ending balance represents the estimated \$25.9 million in marijuana revenues to be credited to the State Public School Fund in FY 2020-21, plus a “buffer” of \$5.0 million to account for additional forecast error.

TABLE H: FY 2020-21 TOTAL PROGRAM FUNDING - GOVERNOR'S REVISED REQUEST

	FY 2019-20 APPROPRIATION (WITH MID-YEAR RECOMMENDATION)	GOVERNOR'S NOVEMBER 2019 REQUEST (EXCLUDING CPP EXPANSION)	GOVERNOR'S REVISED (JANUARY 15) REQUEST (EXCLUDING CPP EXPANSION)	CURRENT LAW (REVISED DATA AND CONSTANT BUDGET STAB. FACTOR)	CHANGE FROM GOVERNOR'S REVISED REQUEST
Funded Pupil Count	896,001	895,702	896,094	896,094	0
Inflation Rate	2.7%	1.7%	1.9%	1.9%	0.0%
Statewide Base Per Pupil Funding	\$6,952	\$7,070	\$7,084	\$7,084	\$0
Total Program Funding					
Total Program before Budget Stab. Factor	\$8,178,375,722	\$8,302,762,594	\$8,333,734,614	\$8,333,734,614	\$0
Budget Stabilization Factor	(572,396,894)	(520,396,894)	(520,396,894)	(572,396,894)	(52,000,000)
<i>Budget Stabilization Factor as Percentage</i>	<i>-7.00%</i>	<i>-6.27%</i>	<i>-6.24%</i>	<i>-6.87%</i>	<i>-0.62%</i>
Adjusted Total Program	\$7,605,978,828	\$7,782,365,700	\$7,813,337,720	\$7,761,337,720	(\$52,000,000)
Statewide Average Per Pupil	\$8,489	\$8,689	\$8,719	\$8,661	(\$58)
Local And State Shares					
Local Share	<u>\$2,977,735,428</u>	<u>\$3,041,315,314</u>	<u>\$3,054,571,884</u>	<u>\$3,054,571,884</u>	<u>\$0</u>
Property Tax	2,775,995,592	2,824,314,596	2,846,779,854	2,846,779,854	0
Specific Ownership Tax	201,739,836	217,000,718	207,792,030	207,792,030	0
State Share	<u>\$4,628,243,400</u>	<u>\$4,741,050,386</u>	<u>\$4,758,765,836</u>	<u>\$4,706,765,836</u>	<u>(\$52,000,000)</u>
General Fund	4,165,864,292	4,163,463,012	4,214,766,622	4,186,337,041	(28,429,581)
Cash Funds (SEF)	393,550,471	476,587,374	459,996,808	447,700,036	(12,296,772)
Cash Funds (SPSF)	68,828,637	101,000,000	84,002,406	72,728,759	(11,273,647)
Annual General Fund Increase		(2,401,280)	48,902,330	\$20,472,749	(\$28,429,581)
Statutory Change Required		Yes	Yes	Yes	

Staff notes the following with respect to the FY 2020-21 request:

- As indicated in the table, the totals shown for the FY 2020-21 request do not include the Governor’s request to support the expansion of the Colorado Preschool Program (FY 2020-21 request R6). As a result, the total General Fund request for the state share of total program funding is \$27.6 million higher than indicated in the table.
- In addition, staff is continuing to work with the Department and the Governor’s Office to clarify the final General Fund request. The amounts shown in the table above align with the current projections of funding necessary to reduce the budget stabilization factor by \$52.0 million. However, the Governor’s final request includes an additional \$11.4 million General Fund (not reflected in the table).
- Finally, please note that this is simply an illustration of projections for FY 2020-21. The March 2020 revenue forecasts will affect the amounts anticipated to be available in the State Education Fund and the State Public School Fund and therefore change the fund sources shown here.

STATEWIDE COMMON POLICY SUPPLEMENTAL REQUESTS

These requests are not prioritized and are not analyzed in this packet. The JBC approved the requested PERA Direct Distribution adjustment as part of the compensation common policies decisions on January 14. The staff recommendation for the annual fleet vehicle supplemental is pending Committee action on the common policy (which was not available at the time of submission of this document).

DEPARTMENT'S PORTION OF STATEWIDE SUPPLEMENTAL REQUEST	TOTAL	GENERAL FUND	CASH FUNDS	REAPPROP. FUNDS	FEDERAL FUNDS	FTE
NPS PERA direct distribution	\$0	\$525,098	\$0	\$0	(\$525,098)	0.0
NPS Annual fleet vehicle supplemental	(\$7,189)	(\$7,189)	\$0	\$0	\$0	0.0
DEPARTMENT'S TOTAL STATEWIDE SUPPLEMENTAL REQUESTS	(\$7,189)	\$517,909	\$0	\$0	(\$525,098)	0.0

STAFF RECOMMENDATION: Staff requests permission to incorporate the Committee’s action into the supplemental bill as necessary.

JBC Staff Supplemental Recommendations - FY 2019-20
Staff Working Document - Does Not Represent Committee Decision

Appendix A: Numbers Pages

	FY 2018-19 Actual	FY 2019-20 Appropriation	FY 2019-20 Requested Change	FY 2019-20 Rec'd Change	FY 2019-20 Total w/Rec'd Change
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DEPARTMENT OF EDUCATION
Dr. Katy Anthes, Commissioner

S1 Total program adjustment

(2) ASSISTANCE TO PUBLIC SCHOOLS

(A) Public School Finance

State Share of Districts' Total Program Funding	4,468,585,178	4,619,755,891	9,794,533	8,487,509	4,628,243,400
General Fund	3,036,590,106	3,259,665,950	9,794,533	8,487,509	3,268,153,459
General Fund Exempt	885,333,333	897,710,833	0	0	897,710,833
Cash Funds	546,661,739	462,379,108	0	0	462,379,108
Total for S1 Total program adjustment	4,468,585,178	4,619,755,891	9,794,533	8,487,509	4,628,243,400
<i>FTE</i>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General Fund	3,036,590,106	3,259,665,950	9,794,533	8,487,509	3,268,153,459
General Fund Exempt	885,333,333	897,710,833	0	0	897,710,833
Cash Funds	546,661,739	462,379,108	0	0	462,379,108

Totals Excluding Pending Items					
EDUCATION					
TOTALS for ALL Departmental line items	5,857,241,236	6,185,897,769	9,794,533	8,487,509	6,194,385,278
<i>FTE</i>	<u>623.7</u>	<u>616.4</u>	<u>0.0</u>	<u>0.0</u>	<u>616.4</u>
General Fund	3,228,713,258	3,507,459,732	9,794,533	8,487,509	3,515,947,241
General Fund Exempt	885,333,333	897,710,833	0	0	897,710,833
Cash Funds	1,093,749,762	1,118,704,379	0	0	1,118,704,379
Reappropriated Funds	30,659,160	42,577,029	0	0	42,577,029
Federal Funds	618,785,723	619,445,796	0	0	619,445,796